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Bergland Returns From China With Hope For Gains in Farm Trade and Cooperation

By David M. Schoonover

Agriculture Secretary Bob Bergland returned from his November 4-14 trip to the People's Republic of China with high hopes for expanded agricultural trade and cooperation between the United States and China.

A program of agricultural cooperation is slated to be launched in 1979 with exchanges of students, scientists, and technicians—including groups participating in the U.S. Department of Agriculture (USDA) cooperator program. And Chinese interest in new directions for agriculture—including livestock-industry modernization and the purchase of farm equipment and technology—could open up a multitude of sales opportunities for the U.S. trade.

"We were all impressed by the openness with which the Chinese approached our talks and the obvious sincerity of their desire to cooperate with the United States in several agricultural fields," said Secretary Bergland at a press conference following the trip. "I personally have no doubts that there will be a noticeable expansion of agricultural trade between the two countries."

This trade expansion has already begun, in fact. During the fiscal year just ended, the United States exported $365 million worth of farm products to China—mainly grains, cotton, and soybean oil—compared with less than $1 million the year before. And now in the pipeline for shipment during the current marketing year are 3.0 million metric tons of U.S. wheat (plus 882,000 tons purchased for the 1979/80 marketing year), 2.7 million tons of corn, 364,000 bales of cotton, 57,000 tons of soybeans, and 80,000 tons (optional origin) of soybean oil.

During their 10-day mission to China, Agriculture Secretary Bergland and other team members were hosted by Yang Li-kung, Chinese Minister of Agriculture and Forestry. They also met with Li Hsien-nien, Vice Premier; Li Chiang, Minister of Foreign Trade; officials from various national ministries and institutions; and provincial authorities.

The delegation visited communes in the vicinity of Peking, Shanghai, Chengtu (Szechwan Province), and Canton. It also toured grain facilities at the port of Shanghai, the Tu Kiang Yen irrigation project in Szechwan Province, the Canton Trade Fair, and the South China Botanical Garden near Canton.

Chinese officials reported that their leadership has embarked on a multifaceted program to modernize the country's economy and has given priority to agriculture.

Through centuries of experience with labor-intensive agriculture, China has developed high productivity from its limited arable land resources. This productivity is based on intensive use of labor per unit of land, multiple cropping, and heavy use of organic fertilizers. The productivity was greatly enhanced in recent years by a massive program of land and water work, which has brought nearly half of the arable land under irrigation.

Despite some increases recently in mineral fertilizers and other inputs applied to agriculture in China, the overall level of nonlabor inputs (except for irrigation water) is relatively low. Increases in these inputs could give a substantial boost to China's agricultural output. Prospective productivity gains from an improved level of technology also are promising.

Another feature of China's modernization program is the goal of developing the livestock industry. Chinese officials indicated they were taking a two-pronged approach to this target: Industrialized production of swine and poultry near urban areas and in some agricultural regions, plus boosting numbers of grazing livestock through pasture renovation and improvement.

The U.S. delegation concluded that China's leadership now is looking seriously to foreign countries—and, in particular, to the United States—as a major source of technology gains. In addition to technological know-how, the delegation concluded that China is seeking foreign plant, equipment, and products to expand swiftly the supply of more advanced agricultural inputs. China also is looking abroad for educational opportunities to accelerate the training of students and specialists in science and technical agricultural matters.

Specific areas of attention included: Trade, science and education, economic information, and technology.

Trade. The two delegations reviewed the prospects for expanded agricultural trade between the United States and China. Based on these discussions, the U.S. delegation believes that China is likely to become a regular and significant purchaser of U.S. grains and cotton. In fiscal 1978, U.S. exports of these products alone to China totaled $277 million, compared with none in fiscal 1977. Exports will be up sharply in fiscal 1979. Moreover, prospects are good for continued growth in these and other U.S. farm exports to China.

The Chinese delegation stressed the importance of quarantine procedures in China to protect its agricultural production base against unexpected adverse effects of disease or pests. The U.S. delegation proposed close cooperation between U.S. and Chinese inspection and quarantine specialists.

Secretary Bergland described the new role of the USDA in grain inspection since the creation of the Federal Grain Inspection Service. He assured Chinese officials that the U.S. Government understands China's concern over possible grain infestation and is willing to consult closely

The author—a member of the recent U.S. mission to China—is Director, Centrally Planned Economies Division, Foreign Agricultural Service.

Clockwise from top left: Agriculture Secretary Bergland (second from left) and Quentin Jones, USDA plant scientist (center), examine models of Chinese irrigation and land reclamation projects; Secretary Bergland on a 100-horsepower four-wheel-drive tractor displayed at the Canton Trade Fair; and a worker on a commune near Canton harvests a flowering root crop used in swine feeding.

in the event of any difficulties.

The U.S. delegation described the provisions of the Agricultural Trade Act of 1978, including the legislation enabling lines of CCC credit or deferred payments to be made available for purchases of agricultural commodities by China. The delegation also reviewed the status of talks on an International Wheat Agreement and the multilateral trade negotiations and explained U.S. agricultural trade policies and concerns, both in a bilateral and multilateral framework.

Science and education. Both U.S. and Chinese officials expressed interest in beginning cooperation in three areas: Plant germ plasm resources; biological control of pests; and livestock and veterinary science. Agreement was reached to begin cooperation with a reciprocal exchange of study teams in each of these areas in 1979. The U.S. delegation also agreed to receive Chinese specialists on agricultural education, and a group of research scientists for technical training in soil survey and testing.

Chinese and U.S. specialists discussed several additional areas for agricultural cooperation over the next 2-3 years. Areas of particular interest to the Chinese include: Systems of agricultural scientific research and extension; application of remote sensing in agriculture; agricultural engineering; application of computer techniques in agriculture; and pasture improvement and range management.

U.S. specialists noted particular interest in medicinal herbs; pasture improvement and range management; cultivation of fruit trees; multiple cropping; water and irrigation management; and forestry.

In addition to exchanges of study teams and technical trainee groups, Chinese officials showed interest in exchange of scientists and the sending of Chinese students to train in the United States.

The U.S. delegation offered USDA assistance in coordinating exchange of scientists and facilitating placement of trainees and students.

Economic information. The importance of better economic information was recognized by both the U.S. and Chinese delegations. Each delegation proposed

the reciprocal exchange of teams on agricultural statistics and described the system for agricultural statistics in its country.

The U.S. delegation is of the opinion that more statistical information on Chinese agriculture may become available in the near future. In turn, the U.S. delegation offered to supply statistical and economic information on U.S. agriculture to China.

Both delegations expressed interest in additional study team exchanges on agricultural economics at some time in the future. The Chinese delegation noted a particular interest in the management of large agricultural enterprises.

Technology. Chinese officials indicated six areas where foreign experience in agricultural technology currently is of greatest interest: Agricultural machinery; seed processing; pesticides; feed processing and use; plastic products for agriculture; and food processing.

The U.S. delegation received the impression that China is interested in various cooperative arrangements for agricultural technology. These cooperative arrangements possibly could include purchase of know-how, equipment, parts, products, or plants—or possibly their joint design or manufacture.

In discussions on agricultural machinery, particular attention was given to tractors and center pivot irrigation equipment.

Agricultural machinery in China is the responsibility of the First Ministry of Machine Building.

A recently established organization called China Seed Corporation is seeking closer contact with foreign seed enterprises. The delegation discussed processing equipment for seed drying, selecting, grading, packaging, and testing, as well as seeds and seed processing know-how.

Discussions on agricultural chemicals, which are the responsibility of the Chinese Ministry of Chemical Industry, dealt primarily with pesticides. Herbicides reportedly have been imported from the United States for use in Northeast China.

With regard to feeds, the Chinese Ministry of Commerce noted particular interest in equipment for feed processing, including auxiliary equipment, such as trucks for bulk transportation, equipment for granulating and pelletizing, premix equipment, electronic computers for feed formulation, alfalfa dehydrating equipment, and instruments for testing. Purchases of product and know-how also may be considered.

Plastic products of interest for agricultural use include plastic film, plastic pipes for sprinkler and drip irrigation, plastic products for fishing, and plastic packaging materials. In China, these products are the responsibility of the Ministry of Light Industry.

The Ministry of Light Industry, which is responsible for food processing in China, noted a need for automated production lines for canned goods, beverages, and bread. China is exploring the possibility of compensatory trade—export of products to pay for imports of equipment.

The U.S. delegation explained to Chinese officials the role of the cooperator agricultural and trade associations in trade servicing and other activities. There was agreement for a team of USDA-led cooperators to visit China early in 1979. □

Top to bottom, left to right: Imported wheat is loaded onto barges for distribution to flour mills; commune worker picks cotton on an experimental farm; Secretary Bergland views operation of a portable electric-powered rice-threshing machine at a commune outside Shanghai; and Chinese workers stack bales of cotton newly picked in field near Shanghai.

South Africa Programs Higher Soybean Output

South Africa, concerned over its widening gap between relatively low domestic protein production and rising demand, is planning an intensive program to expand soybean production, according to a dispatch from James O. Howard, U.S. Agricultural Attaché in Pretoria.

The 1977/78 South African soybean crop is estimated at 34,700 metric tons, 24 percent more than the previous crop, while sunflower production is estimated at 508,000 tons—8 percent greater than in the previous year—and peanut production at 210,310 tons —30 percent higher than the year-earlier level.

Despite these higher levels of output, the country's total protein requirements far exceed domestic outturns. Fishmeal production, which in the late 1960's amounted to about 400,000 tons annually, has since been declining steadily and in 1977 was only 168,898 tons.

After a Government advisory committee appointed in 1975 reported that the country by 1980 would be short of pure protein by 120,000 tons—equal to 300,-000 tons of oilcake with 40 percent protein—the Government urged producers to expand vegetable protein meal output.

The first product emphasized was sunflower, as corn producers could easily switch their equipment and cultural practices. In 3 years, sunflower production more than doubled. But sunflower cake is deficient in lysine and therefore is not a true substitute for fishmeal.

As a result of these developments, the Ministry of Agriculture is expected in the near future to announce a crash program to expand soybean production. The Government's action is expected to include a producer price calculated to encourage production as well as a persuasive call to step up production of the crop.

The Government also has increased producer prices for peanuts in the 1978/79 marketing year and decreased those for sunflowerseed. The price for Grade PS-1 peanuts (hand picked, selected) has been advanced from the equivalent of $374 per ton to $424 per ton, and the price for selected Grade S-2 peanuts was increased from $345 per ton to $379 per ton.

On the other hand, the price for Grade FH-2 sunflowerseed was cut from $200 per ton to $161, and the price for Grade F-2 was lowered from $166 per ton to $128 per ton.

Sunflower prices have been increased in recent seasons to stimulate production, and output more than doubled since 1975/76. The stimulus was needed to overcome South Africa's short-term protein shortage, but the present crop is causing marketing difficulties because oil, in particular, is in heavy supply and difficult to sell.

Fishmeal prices traditionally were set by the Government at low levels and the industry made its profits from exports. With the greatly reduced role for these exports, the situation has changed and the domestic price for fishmeal was increased from $199 per ton in 1973 to $339 in 1978—a 70 percent increase. Not only has fishmeal become very expensive by South African standards, but the future supply situation is uncertain. □

Sri Lanka Makes First Purchase of U.S. Wheat

The first sale of U.S. wheat for milling to Sri Lanka was reported recently by the Singapore office of Wheat Associates, USA. The cash sale, made as a result of a tender, is for 40,-000 metric tons of Hard Red Winter wheats (12 percent protein) to be delivered in equal shipments of 20,000 tons in June and September 1979.

The high quality of the U.S. wheat and its competitive price were the factors that clinched the deal, according to Alan Hunt, Wheat Associates vice president for South East Asia.

Flour from U.S. wheat is ideally suited for Sri Lankan bread. Some 75 percent of Sri Lanka's flour is used for production of Western-style loaf bread; the balance is used for cookies, pastries, and a noodle-like delicacy called stringhoppers.

This sale to Sri Lanka is particularly meaningful, Hunt noted, since it comes at the start of a period when Sri Lankan wheat imports are expected to increase dramatically to meet the needs of the country's single existing 3.7-million-bushel mill and the potential requirements of a new mill, now in the final stages of construction.

Expected to have a yearly grinding capacity of 24 million bushels, the mill will have its trial run in November 1979 and enter into full operation early in 1980.

In the past, all wheats purchased for the State mill came from nearby Australia, although its imports of flour came from a number of sources.

In 1977, the country imported 525,000 tons of flour, including 200,000 tons from the United States under P.L. 480. The rest came from the European Community and Singapore. Because of high freight costs, U.S. flours have not been competitive under commercial sale conditions with the subsidized flours shipped from the Community.

U.S. wheat has been promoted in Sri Lanka for the past 3 years by Wheat Associates, an FAS cooperator.

During that time, Wheat Associates sponsored an intense educational program intended to develop an awareness of the suitability of U.S. wheat flour for the type of products regularly made in Sri Lankan bakeries.

In August, Wheat Associates sponsored a visit to the United States by high Sri Lankan Government officials and others concerned with the buying of wheat. □

Iran Emerging As Top Cash Customer For U.S. Farm Products In Middle East

Rising per capita income and sharp population shifts from rural to urban areas in Iran have resulted in a great increase in demand for food and farm products. However, the gap between Iran's domestic farm production and the greater demand continues to widen, resulting in increased agricultural imports—of which, about one-fourth come from the United States. Last year, Iran was the largest cash customer of U.S. farm products in the Middle East and could become a half-billion dollar market for U.S. agricultural goods during calendar 1978.

Iran emerged last year as the biggest cash customer for U.S. agricultural products in the fast-growing Middle East market and should become a half-billion dollar market in 1978, according to Paul J. Ferree, who until recently was U.S. Agricultural Attaché in Tehran.

The combination of large trade surpluses stemming from petroleum exports, rising per capita income ($2,400), and sharp population shifts from rural to urban areas has led to a great increase in demand. This is taking place during a slide backwards in Iran's quest to regain the agricultural self-sufficiency that prevailed prior to the economic boom of the early 1970's.

Today, Iran is about 75 percent self-sufficient in agricultural and livestock production. The goal is 80 percent, but the trend is actually going in the opposite direction as food demand outstrips gains in agricultural productivity.

The importance of Iran as a market for U.S. agricultural products is graphically demonstrated by its growth since the early 1970's. U.S. farm exports to Iran totaled just $76 million in 1972, but hit $423 million in 1975 and again in 1977.

"I am sure it will surpass $500 million this year," Ferree said. "We did export $534 million worth in 1974, but this was a period of scarcity in world grains and Iran actually overbought, purchasing products at rather high prices. In addition, Iran had problems of port congestion and had to delay deliveries. The Iranian market, however, is growing steadily and we can look on Iran as a half-billion dollar market in the next few years."

In becoming the largest Mideast cash market for U.S. farm products last year, Iran replaced Israel ($299 million) and easily topped Saudi Arabia ($171 million).

As a total market, Iran ranked second to Egypt for the entire Mideast. However, U.S. farm exports to Egypt include concessional sales. On a comparison basis, Iran last year was about half the size of the USSR as a market for U.S. agricultural products.

The United States now accounts for about one-fourth of Iran's agricultural imports and supplies, by far the largest proportion of the country's imports of wheat, rice, feedgrains, tallow, vegetable oils, protein meals, and dairy cattle.

Australia and New Zealand are providing large quantities of beef, mutton, and dairy products while Western European countries, especially West Germany, supply the major share of processed foods, owing to their natural transportation advantage in moving commodities across the Continent.

"As a result of the buildup in petroleum export earnings in the late 1960's and early 1970's, Iran has become one of the dynamic economies in the Middle East.

"Although there has been some decline in the growth of the petroleum sector in the last few years, petroleum and related products still provide about 40 percent (or about $20 billion) of the country's gross national product," Ferree said.

This economic boom has contributed greatly to the large boost in consumption, a situation aggravated by the widening gap between domestic food production

By Aubrey C. Robinson, staff writer, *Foreign Agriculture*.

and consumption.

The net gain in Iran's agricultural output and productivity of land and labor has slowed to about 4 percent while the annual growth in food demand, fueled by growing affluence and urbanization, is in the 9-12 percent range. In order to bridge this gap, Iran must turn to imports.

"With agriculture lagging somewhat behind other sectors, such as mining, construction, and, certainly, petroleum, more products now have to be imported," said Ferree. "Of these, the United States is supplying mainly the bulk products that can be shipped into the Persian Gulf and then transported to the consuming centers of the country."

This year, Iran is expected to import about 1.3 million metric tons of wheat with about 90 percent coming from the United States, Ferree pointed out. The country's rice imports could be around 500,000 to 600,000 tons and "most of this will likely be long grain, high quality rice produced in the United States."

The Iranian feedgrain market is growing rapidly. Last year, Iran imported about 900,000 tons of corn, barley, and sorghum and this year will import about 1.2-1.3 million tons. The increased demand results largely from the priorities the Government has set on upgrading the people's diet by increasing the production of animal protein through the development of the dairy industry and the rapid expansion of poultry enterprises as well as increases in some livestock feeding.

Livestock feeding in Iran is mostly sheep feeding, Ferree said, although there are some cattle feedlots. About three-fourths of the country's consumption of red meat is mutton or goat.

Farm scenes in Iran, from top: Woman planting rice in the northern area of the country; a shepherd guides his sheep into the Elburz Mountains, near the Caspian Sea, for summer grazing; and Holstein-Friesian dairy cattle on farm near Tehran—most of these animals in Iran were imported from the United States.

Iran is importing live sheep, taking about 3 million head last year, largely from Australia and Eastern Europe. These animals are held in feedlots for a few months and then sent to slaughter.

"On the other hand, Iran is importing considerable amounts of carcass mutton, also from Australia, New Zealand, and Eastern Europe. Total imports should be about 100,000 tons this year plus about 30,000 tons of imported beef.

"Unfortunately, the United States has not been able to compete in this market. But, because of the Government's attempt to develop local enterprises —feedlots and dairy and poultry units—we supply a large share of the feedgrains, and this market is going to continue to grow over the years," Ferree said.

"Also on the dairy side, Iran has looked mostly to the United States for dairy cattle imports. In the last Iranian fiscal year (March 21, 1977 to March 20, 1978), Iran imported about 13,500 head of dairy heifers, mostly Holsteins, and about 10,000 of these were U.S. cattle. The Government is setting a goal this year of approximately 20,000 head and we hope that again about 85 percent of these will come from the United States.

"Iran has a rather large livestock industry, mainly consisting of about 32 million sheep, 14 million goats, and 7 million head of cattle Most of these are extensively grazed by villagers and nomadic people, but modern production organizations are coming in with feedlots, dairies, and poultry operations," said Ferree. "Now, there is emphasis on the modern development of animal production."

The market for bull semen is also growing, with around 100,000 ampules imported in 1977/78—mainly from the United States.

Iran's poultry industry is expanding faster than any other livestock sector. Poultry meat production is estimated at 194,000 tons in 1977/78, 12 percent above the year earlier level. Poultry meat imports declined 15,000 tons to 25,000 tons in 1977/78 and they are expected to be about 25,000-30,000 tons in 1978/79.

Iran's oilseed output—derived from cottonseed, soybeans, sunflowerseed, and sesame—yielded about 325,000 tons of protein meal and about 70,000 tons of vegetable oils in 1977, but the country's consumption of vegetable oils is now estimated at 360,000 tons or 10.5 kilograms per capita. This imbalance necessitates large vegetable oil imports, an area in which the United States scores strongly.

In the 1977/78 marketing year, Iranian imports of vegetable oils were estimated at 300,000 tons, a rise of about 50,000 from the previous year. This includes about 265,000 tons of soybean oil and 30,000 tons of cottonseed oil.

A significant proportion of the soybean oil—either imported directly or from U.S. soybeans processed in Europe—as well as most of the cottonseed oil is being supplied by the United States.

In the 1978/79 marketing year, Iran's imports of vegetable oil are projected at about 320,000 tons, mostly soybean oil, and 35,000 tons of cottonseed oil. Iran also is expected to import 270,000 tons of protein meal, including soybean meal, cottonseed meal, and fishmeal, with about 120,000 tons of soybean meal expected to be imported from the United States.

"Besides bulk grains, cattle, and vegetable oils, one market we should give more attention to is processed and packaged foods and frozen products," Ferree pointed out. "In the past, most of these have come from European countries, sometimes even from U.S. subsidiaries in Europe. This resulted mainly because of the transportation advantage of bringing container shipments by truck across the Continent.

"However, the United States has always had an advantage in bulk products brought in by ship. Today, container shipping is improving and I believe the United States will be able to compete with trucking across Europe by shipping containers of frozen products and packaged and processed foods directly into the interior cities of Iran," Ferree said.

"Presently, there are very few problems in shipping to Iran. Ships are now usually unloaded within the week of their arrival. The major problem is transporting goods overland to consuming centers. For instance, some sources have estimated that about two-thirds of the country's purchasing power is located in Tehran, with its population of about 5 million. This means that goods unloaded in the Persian Gulf have to be trucked 1,000 miles to the capital."

USDA's market development cooperators are helping to expand the Iranian market for U.S. farm and food products. "The U.S. Feed Grains Council has made several studies of ways to carry out demonstrations of feedgrain usage, while the American Soybean Association has conducted seminars, particularly with the Iranian poultry industry, on the many uses of soybean meal.

"The National Renderers Association also has worked with USDA in determining how animal fats may be used in increasing the energy ratio in poultry feeds. Programs are also underway with Great Plains Wheat in servicing Iranian flour mills and baking industries," said Ferree.

"In addition, two U.S. food shows have been staged. At the first one, held in June 1977, about 65 U.S. exhibitors of processed foods were on hand. At another show this past April, about 10 exhibitors had a food display to attract buyers representing supermarkets, hotels, and restaurants."

On the domestic side, Iranian agriculture, although varied, is hampered by limitations on arable land and water availability. Just 31 million hectares of the country's total area of 160 million hectares are classified as arable.

However, only 9 million hectares are currently estimated to be under cultivation, including about 4 million irrigated hectares.

"Aside from a strip of land in the north along the Caspian Sea, most of the agriculture is irrigated. This northern area is very humid, receiving 45 to 60 inches of rainfall annually, and produces a large part of the country's total farm production," Ferree said.

"Iran has attempted to create large irrigation complexes in the south and some of these are producing sugarcane, sugar beets, and wheat. But, farms are mostly small as a result of agrarian reforms from 1962 to 1972 when former tenants of large landowners were given the land they had been farming. This created about 2-2½ million small farms, with an average individual holding of

about 10 hectares or less.

"This really doesn't give the farmer much of a chance to produce enough to accumulate capital, so most of these farms ended up as subsistence units not producing for the commercial market.

"The Government, however, carried out a policy of consolidating some of these into the form of production cooperatives, that receive some facilities of credit, loans on farm machinery, and technical assistance. Small farms, however, still are predominant in Iran.

"The bright lights of the city and the growth of industry, especially construction, are attracting many rural people," Ferree said.

Although about 53 percent of the country's population of approximately 34 million live in rural areas, the influx to the cities remains strong. Iran's annual population growth rate is high at about 3.0 percent, but urbanization growth is running at about 6.0 percent per year.

This accelerated growth of the cities has produced two major effects:

- Reduction of labor availability in rural areas, thus, slowing gains in agricultural production; and
- Creation of a larger food demand in the cities that often has to be supplied by imports.

Crops contribute about two-thirds of the annual value of Iran's agricultural production. In terms of farm value, wheat easily outdistances all other crops and is followed by rice, cotton, sugar beets, barley, and pulses.

In recent years, the country's grain output has been rising slightly, owing to improved varieties, increasing use of fertilizers, and additional irrigated plantings. However, the 1977 grain harvest (the latest data available) dipped about 9 percent to 6.865 million tons as wheat production fell 9 percent to 5 million tons, because of lower rainfall in dryland areas, which account for about 70 percent of total plantings.

Output of feedgrains—corn, barley, and sorghum—totaled 1.165 million tons and accounted for only 58 percent of the country's feedgrain consumption. Imports in 1977/78 were expected to reach 900,000 tons and will continue to increase in the future in response to the rising needs for poultry production, dairying, and livestock feeding.

Iran imports about one-fourth of its barley—used primarily as feed for dairy animals and sheep—and the United States supplies about half of the imported barley. Corn and sorghum imports account for about 92 percent of the country's requirements, with the United States supplying about 60 percent of the imported corn, but relatively little sorghum.

Iran cannot significantly expand its rice area, estimated at 325,000 hectares, although it can raise yields. The 1977 milled rice production was down 18 percent from 1976's to 700,000 tons, necessitating imports of 500,000 tons. Of these, 75 percent was U.S. rice.

"The limits of land and water will certainly hold down expansion in many crops, so that in a given year one crop may expand in response to favorable prices . . . but, other crops would contract because the land would have to be substituted.

"Iran's development is based on 5-year-plans, established to achieve a balanced socio-economic growth over the next 20 years," Ferree said. □

Recovery Underway In Malaysia's Output Of Palm Oil; Caution Urged in Future Growth

After a sluggish production and export start during the first half of 1978, Malaysia's palm oil industry has staged a recovery that is expected to continue throughout the rest of the year.

Production gains in this period are expected to overcome earlier setbacks and push the full-year palm oil output to a projected 1.5 million metric tons, slightly above the 1.47 million tons produced in 1977. The outlook for 1979 calls for a production of 1.85 million tons.

In other developments, a high-ranking agricultural minister sounded a note of caution in the growth of the nation's palm oil industry by warning against an overrapid shift in land use from rubber to oil palm plantings. Instead, he said, the country needs a balanced crop diversification program over the long term, reported Robert J. Svec, U.S. Agricultural Attaché in Kuala Lumpur.

By early September, it appeared that the country's production of crude palm oil had started to recover from the effects of the dry spell of the previous year. Peninsular Malaysia's output of crude palm oil during June and July was 117,681 and 148,186 tons, respectively, compared with outturns of 108,415 and 117,297 tons, respectively, during the comparable 1977 months.

On the trade side, Malaysia's overall trade surplus for 1978's first half fell sharply to $141.4 million from $349.2 million during the same 1977 period. The shortfall stemmed from an 18 percent increase in the value of imports opposed to just a 7 percent climb in export earnings.

For the first 6 months of this year, earnings from crude palm oil exports dropped to $184.4 million from the year-earlier level of $272.5 million, but palm olein earned $83.9 million, almost double that of the corresponding 1977 period.

During January-June 1978, Malaysia's exports of crude palm oil totaled 264,679 tons, compared with the year-earlier, 6-month

level of 351,546 tons. The leading 1978 markets were the United Kingdom (93,107 tons), the Netherlands (51,450 tons) and India (38,601 tons). Exports to the United States were 12,600 tons, a decline of 43 percent from those during 1977's first half.

The country's exports of processed oil reached 460,464 tons, an increase of 21 percent from exports during the opening 6 months of 1977. The bulk of these exports in 1978 went to Singapore (100,137 tons), India (104,903 tons), Japan (57,914 tons), the United States (49,926 tons), and the Netherlands (22,806 tons).

Although palm oil is one of the country's newest industries, it has outperformed rubber and tin in terms of processing, Svec said. Since the mid-1960's, Malaysia's palm oil production has expanded rapidly. To date, 24 of the 55 refineries approved by the Government are in operation, with a total installed capacity of 1.2 million tons of crude palm oil a year. In 1977, Malaysia produced 726,000 tons of processed oil for export, exceeding for the first time the export level of crude oil. This performance contrasts sharply with the 50,000 tons of processed oil exported in 1974.

The Palmco Group, the country's largest exporter of refined palm oil, plans to open a new plant to manufacture fatty acids and glycerine from palm oil byproducts—the first such use of these byproducts in the chemical field.

Meanwhile on the domestic policy side, it is significant that the Minister of Land and Regional Development Ministry, Tan Sri Abdul Kadir Yusof, expressed some concern over the rapid growth of the palm oil industry in Malaysia—the world's largest palm oil exporter.

However, Svec reported that the Minister's statement must be considered in the broader context of the role of his Ministry and the rubber, palm oil, and soybean oil triangle.

Because the Rubber Industry Smallholders Development Authority (RISDA) was recently transferred from the Ministry of Primary Industry to his Ministry, Tan Sri Kadir now has responsibility for both the country's rubber production as well as in its palm oil output. With broader responsibilities for land development, land use, and crop diversification, the Minister can focus on relationships of palm oil versus rubber, natural rubber versus synthetic rubber, and palm oil versus other fats and oils.

Over the next 5 to 10 years, the world's supply/demand balance for rubber appears to be less risky than that for palm oil. So, Tan Sri Kadir suggested that Malaysia's rubber production not be neglected. However, he clearly did not call for a moratorium on the development of the country's palm oil industry, Svec reported.

From the vantage point of the nation's large estates, the most important factors affecting a shift in land use are the profitability of oil palm vis-a-vis rubber and the availability and cost of labor. Currently, both factors favor the conversion of estate land from rubber production to growing oil palm trees.

The rate of this conversion, however, probably will be slower in the future because a large amount of estate land suitable for oil palm production already has been converted to that use. □

Cocoa, Chocolate Prices Likely To Remain High

By Rex E.T. Dull

Consumers face another year of high prices for cocoa and chocolate products as unfavorable growing conditions in the major cocoa bean producing areas of West Africa and Brazil point toward a downturn of about 5 percent in world cocoa production during 1978/79.

The world's cocoa bean harvest during the current October-September season is projected at 1.4 million metric tons, down from the 1977/78 outturn of 1.48 million tons, but still above the small 1976/77 production of 1.35 million tons.

Although cocoa bean prices in 1978 have been lower than the record high levels of the preceding year, they have remained high enough to discourage increased consumption. World cocoa bean grindings in 1978 are estimated at 1.36 million tons, slightly below the 1977 grind of 1.37 million tons and well under 1976's grindings of 1.52 million tons. Grindings in 1979 are expected to remain at low levels.

Cocoa bean prices (the average of the daily closing price of the nearest three active-future trading months on the New York Cocoa Exchange) averaged a record $3.79 per kilogram ($1.72 per pound) in 1977, compared with an average of $1.00 per kilogram (45.5 cents per pound) during the preceding decade. Prices during the first 10 months of 1978 have averaged $3.25 per kilogram ($1.47 per pound). They averaged $3.96 cents per kilogram ($1.80 per pound) during the month of November.

Producing countries are reaping record foreign exchange earnings from exports of cocoa beans and products. Preliminary data indicate that 1977 producer export earnings approximated $4 billion, compared with 1976's revenues of $2.1 billion and 1975's $1.94 billion, and it is expected that earnings again will be at high levels this year.

Despite a drop in volume, the value of U.S. imports of cocoa beans and products reached a record $968.3 million in 1977, compared with $595 million in 1976. Imports for the first 9 months of 1978 were valued at $1.03 billion, and could approach $1.3 billion for the year.

In order to reverse the current trend of low production and high prices, producing countries must make new plantings and improve cultural practices. However, some producers fear that expanded cocoa output will have to compete later with substitutes and extenders.

These products have made significant inroads into the cocoa industry in recent years, contributing to reduced cocoa usage. More stable supplies and

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pricing have made these items popular with manufacturers, who continually face the volatile supply and price swings of the world cocoa market.

Ghana now sees its position as the world's leading cocoa producer threatened by rising production in Brazil and the Ivory Coast. These two countries harvested record crops in 1977/78, while Ghana's output of 271,000 tons was the lowest since 1958/59. Although unfavorable weather conditions have played a role in Ghana's downward trend in production since its record 1964/65 crop of 563,000 tons, other economic and political factors also have contributed to the decline.

Farmers in Ghana have placed increased emphasis on food crops because of low prices paid to cocoa producers by the Government. The rural-to-urban migration of farmers and workers also has curtailed output. Although there are some cocoa renovation programs underway, any increase in output is being offset by the decline in productivity of older trees that occupy a large segment of the planted area. Reduced spraying for insects and diseases also has cut production.

In efforts to stem the decline in production, the Government has doubled the producer price for 1978/79 to 80 cedis per 30 kilograms (equivalent to about 44.1 U.S. cents per pound at current exchange rates).

However, because of the recent devaluation of the cedi and the current high rate of inflation (estimated to have been close to 150 percent in 1977), it is doubtful that the new price will be sufficient to foster a significant increase in production or reduce smuggling to neighboring countries. The 1977/78 grower price was actually equivalent to 52.6 U.S. cents per pound prior to devaluation.

Cocoa production in Nigeria has been on the wane also, reflecting increased Government emphasis on an industrial-based economy brought about by large petroleum export earnings. Here, too, inflation has been rampant and many farmers and workers have moved to urban areas in search of higher wages.

Cocoa bean production this season is expected to be near 175,000 tons, well under the 257,000-ton average of the 1970/71 to 1974/75 period. Although producer prices (equivalent to about 71 U.S. cents per pound) are the highest among major West African producing countries, they have not been attractive enough to stimulate increased output.

Further compounding Nigeria's cocoa industry problems have been shipping difficulties caused by port congestion, resulting in persistent delays in shipments and frequent declarations of "force majeure." Because of this situation, several U.S. chocolate manufacturers have either discontinued buying or have reduced purchases of Nigerian cocoa.

Cameroon's production has stagnated at around 100,000 tons, and little increase can be anticipated from this area in the future, as the high annual rainfall usually results in significant losses from pod rot each year.

An adverse political situation in Equatorial Guinea has sharply cut production from more than 30,000 tons in the sixties to only about 5,000 tons in recent years, and production in São Tome and Principe has been nearly halved to only 6,000

Top photo: Inspecting cocoa pods in Brazil, a country that has sharply increased cocoa production over the past decade. In bottom photo, cocoa pods exhibit their unique characteristic—they grow directly out of the trunk and main limbs of the cocoa tree.

tons of cocoa beans.

However, there are several countries that have made significant advances in cocoa production, preventing even more serious world shortages and higher prices for cocoa. The Ivory Coast has made great strides in expanding cocoa production by planting new areas with improved hybrid varieties and constructing several new cocoa processing factories. Purchases of cocoa from farmers during the 1977/78 season reached a record 282,000 tons, compared with an annual average of 126,000 tons during the sixties.

As a result of less favorable growing conditions, Ivory Coast production is expected to be slightly lower this season, but output could reach 300,000 tons in 1979/80, if weather conditions are good.

The more attractive currency situation in the Ivory Coast has resulted in significant movement of contraband cocoa from Ghana. However, in order to curtail these losses in foreign exchange earnings from illegal cocoa exports, the Ghanaian Government is pursuing measures to reduce smuggling, which involved an estimated 20,000 to 45,000 tons during the 1977/78 season.

Brazil has increased production impressively during this decade, with the 1977/78 harvest reaching a record 281,000 tons, compared with a 145,000-ton average during the sixties. Although a drop in 1978/79 production is expected because of unfavorable weather, the Government plans to continue to expand output in hopes of becoming the world's leading producer with a somewhat optimistic goal of 700,000 tons by 1985. The cocoa processing industry also has been expanded and Brazil has now become an important exporter of cocoa products.

Malaysia is fast becoming a major producer with 1978/79 production forecast at a record 27,000 tons, more than double the levels of just a few years ago. The intercropping of cocoa with coconuts has been a profitable venture, and the Government is planning to continue to increase production. Presently, Malaysian cocoa beans are usually sold at a 6-to-10 percent discount from West African beans because of high acidity, but the Government is working to correct this problem by improving fermentation methods.

If global production forecasts are realized, a slight world stock buildup in 1979 is possible, following a 105,000-ton stock increase in 1978. Because current high price levels have largely discounted the lower production prospects for 1978/79, prices are likely to ease somewhat in the coming months as supplies from new crops reach terminal markets.

Another factor that has recently been supporting high cocoa prices has been the buying of commodities by traders as a hedge against the declining value of the dollar.

A large U.S. manufacturer announced recently that its popular 20-cent chocolate candy bars will be increased to 25 cents, reflecting higher ingredient and manufacturing costs. Although the bar size will be increased somewhat, this still represents a price increase of more than 9 percent.

Thus, retail cocoa and chocolate prices will continue at high levels in 1979 as other manufacturers ponder similar action. □

World Cocoa Bean Supply—Demand and Apparent Stock Change, 1960/61-1978/79

Oct.-Sept. season	Production[1]		Grind[2]	Apparent stock change	New York spot Accra cocoa bean prices[3]
	Gross	Net			
	1,000 mt	*1,000 mt*	*1,000 mt*	*1,000 mt*	*Cents/lb*
1960/61	1,164	1,152	1,026	+126	23.5
1961/62	1,125	1,114	1,120	−6	21.9
1962/63	1,162	1,150	1,154	−4	23.9
1963/64	1,239	1,227	1,194	+33	24.1
1964/65	1,491	1,476	1,340	+136	18.4
1965/66	1,220	1,208	1,388	−180	23.1
1966/67	1,336	1,323	1,386	−63	27.5
1967/68	1,352	1,338	1,410	−72	30.9
1968/69	1,236	1,224	1,353	−129	45.1
1969/70	1,423	1,409	1,357	+52	37.3
1970/71	1,493	1,478	1,439	+39	29.2
1971/72	1,572	1,556	1,567	−11	29.0
1972/73	1,406	1,392	1,557	−165	55.5
1973/74	1,461	1,446	1,478	−32	91.2
1974/75	1,541	1,526	1,463	+63	82.7
1975/76	1,517	1,502	1,523	−21	92.0
1976/77	1,349	1,336	1,370	−34	189.8
1977/78	1,477	1,462	1,357	+105	[5]147.7
1978/79[4]	1,405	1,391	1,360	+31	[6]175.0

[1]FAS data. An adjustment of 1 percent for loss in weight is made to arrive at a net production figure. [2]Gill & Duffus data. Calendar year grind, refers to last year of crop year. [3]Average for October-September year. [4]Forecast, FAS data. [5]Beginning October 1977, all price data refer to the average of the daily closing price of the nearest three active futures trading months on the New York Cocoa Exchange. [6]October-November 1978 only.

Brazil, Japan Set Soybean, Corn Enterprise

Brazil and Japan have formed a new enterprise—the Brazilian Agro-Industrial Participating Company—in connection with Japanese development of a 50,000-hectare pilot project in Brazilian cerrados (savanna) area, according to dispatches from the Office of the U.S. Agricultural Attaché in Brasília.

The new enterprise will merge with the Japan-Brazil Agricultural Development Corporation and the resulting third enterprise will implement the project, which is to be mainly oriented toward production of soybeans and corn.

Earlier this year, a Japanese team visited the project area and the port of Espirito Santo to survey transport and port facility needs in connection with projected exports from the pilot area. □

EC Commission Reviews Milk Dilemma

By Edward Karpoff

The European Community's growing awareness that it has a bear by the tail in its increasingly costly Common Agricultural Policy for milk is brought into sharp focus in a new report the EC Commission has prepared for the policy-making EC Council.[1]

The EC dilemma—it cannot safely let go of the bear's tail, and it is becoming more awkward to hold on—is described in some detail in the report, which reviews several options for resolving the milk dilemma but refrains from proposing solutions.

The report observes that the world dairy market is "in a stage of relative saturation," and interprets available projections (including those by the United Nations Food and Agriculture Organization, and the Organization for Economic Cooperation and Development) as suggesting that the world imbalance "will persist in the short and medium term."

With these discouraging factors in the background, the Commission stresses directions—but expresses no preferences—in which EC dairy policy might be guided to stimulate internal demand and restrain domestic production.

Lower real prices and an end to the open-end commitment to support the entire quantity of milk produced are two possibilities that are discussed optimistically, but because of the complicated social factors involved consideration also is directed to an assortment of plans approximately paralleling the conversion-to-beef and nonmarketing plans introduced in 1977. The operation of these plans to date has had no visible impact upon total EC milk supply.

In discussing the EC production and marketing structure—which bears upon the Community's milk surplus—the report mentions that the EC dairy surplus was officially recognized as constituting 10 percent of 1976 deliveries. It has since been growing by almost 2 percentage points per year. EC milk production during January-June 1978 already was 4 percent above the year-earlier total.

Barring an imminent turnaround (which the report does not foresee), milk output during 1979 in the nine EC member countries is likely to exceed economic needs by at least 15 percent.

Finn Gundelach, EC Commissioner for Agriculture, has put the 1978 surplus at a higher level than the report foresees for 1979.

To handle a surplus on this scale cost the EC the

[1] *"Report on the Situation in the Milk Sector," COM(78)430; European Community, Sept. 25, 1978, Brussels.*

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Top: A Dutch dairy herd files to the barn for the evening milking. Middle: Butter flows from this continuous churn in the Netherlands. Bottom: These cans will soon be relics in British milk transport, as tanks take over.

equivalent of about $4 billion in 1977—a sum equal to about 20 percent of the farm value of that year's milk output.

Since the cost of this support doubled in the 4 years prior to 1977—a period when the price of milk rose only 40 percent—the situation represents a prominent worry to many EC planners in the nonagricultural sector.

However, the Community's dairy sectors see the situation in a different light. Milk accounts for 19 percent of the value of EC farm production.

Beef and veal, which in a dual-purpose bovine economy are inseparable from milk production, are 16 percent more, for a total of 35 percent of farm income. Price encouragement for either the meat or milk economies stimulates production of milk.

This substantial share of farm income is divided among almost 2 million EC farmers, who comprise a third of total EC farmers.

Presumably because the effects of any dairy rationalization will be widespread, the discussion in the Commission report can be regarded as reflecting viewpoints of political economy, in addition to—but possibly to the detriment of—suggestions from the school of economics that simply seeks the least-cost production of the quantity of milk demanded by the market.

Suggestions consistent with such economic orthodoxy include possibilities to:

- Limit 1979 and future increases in target and intervention (support) prices for milk and products.
- Limit the activity of the support program to specified months of the year (in general, omitting fall and winter months), thus curtailing the present open-end aspect of price supports but at the same time rejecting the concept of production quotas.
- Force dairymen to accept surplus dairy products as partial payment-in-kind for their milk deliveries.

Ironically—and paralleling the first of these points—the EC milk price increases put forward in the spring of 1978 were intended also to be limited, as in the possibility put forward for 1979 and later years.

The proposed 1978 net price change advanced by the Commission was an increase somewhat short of 2 percent. This figure was increased by the Council to a level practically equal to 2 percent—still a discouraging increase to dairymen in view of the larger increases they have experienced in their costs of production.

However, at the same time that the Council made only nominal changes in target and intervention prices, it reduced the coresponsibility level from 1.5 percent to 0.5 percent, thereby adding—in effect—1 percentage point to the farmers' net target price.

At the same time, the Council affirmed the actions of several individual governments adjusting the rates of their green currencies[2] to give dairymen further effective price increases, reaching a total of 6 to 11 percent in the United Kingdom, Ireland, France, and Italy, and about 3 percent in the other EC countries.

Although below the concurrent increase in prices paid by farmers and thus failing to keep dairy producers fully abreast of inflated costs, the effective green rates in the most favorably treated countries were several times the nominal increase in the milk target price.

In the political-economic area, the Commission report cites:

- The "low" price of compound feed, and particularly of imported (principally U.S.) protein ingredients. These are alleged to be stimulants toward surplus. As an optional course leading toward lowering the EC milk surplus, the Commission hints at raising feed prices or otherwise discouraging feed use. Such a step would benefit the EC protective programs for grain and would encourage EC production of protein materials, artifically increasing production costs for milk output based on the protected crops.
- The high proportion—35 percent—of EC dairy herds that have fewer than five cows. Although accounting for only about 10 percent of milk marketings, the large number of farm families involved means that special programs would likely have to be devised. Such programs probably would be "temporary, and linked to the person."
- National programs to aid the dairy industry. The Commission sees these principally as encouragements to production rather than as aids toward lower production costs. The Commission therefore looks critically at such proposals.

The report adopts an unexpectedly mild tone toward EC imports of cheese from Switzerland, Austria, and Finland, and of butter from New Zealand. Opportunities for these flows are guaranteed in agreements

Continued on page 16

[2] *Green currency rates are used to convert EC units of account to national currencies for computations of agricultural prices. The Commission has suggested curtailed use of this device.*

West German Imports From United States Dip Slightly

West Germany's agricultural imports from the United States in calendar 1978 are estimated at about $1.9 billion, somewhat less than the record $2.1-billion level reached in 1977 but still the second highest total by value.

This year's lower level is mainly a result of the large feedgrain supplies in the European Community and lower world prices for several commodities, according to a dispatch from the Office of the U.S. Agricultural Attaché, Bonn.

While the volume of West Germany's imports of U.S. soybeans in the first 6 months of this year was about the same as 1977's, value was down from $468 million to $381 million.

Imports of U.S. corn fell from 1.6 million metric tons to 1 million tons in the first 6 months of 1978, while valued decreased from $288 million to $117 million.

Corn imports from the United States in 1978/79 (August-July) are expected to decline further because of West Germany's bumper grain crop. Imports of U.S. corn were about 2.8 million tons in 1977/78, and are expected to total about 2.2 million tons in 1978/79.

Part of the $198 million decrease for corn and soybeans was offset by larger shipments of soybean meal, sunflowerseed, tobacco, fruits, and several other products.

Oilseeds and products accounted for 52 percent

of West Germany's total agricultural imports from the United States in the first half of 1978. Soybeans represented the major individual commodity.

Imports of soybean mean during January-June were double the year-earlier total, but competition from new crushing mills in the Netherlands lowered the U.S. market share from 57 percent to 44 percent.

For soybeans, the U.S. market share was stable at 93 percent during the 6-month period. Continued growth in West Germany's imports of soybeans is likely during 1978/79.

While deliveries to West Germany of sunflower oil from East European countries declined further in the first 6 months of 1978, imports of sunflowerseed oil were double the year-earlier level. These arrivals included record imports from the United States and larger shipments from Argentina. Imports from the United States are expected to remain high during 1978/79.

U.S. peanuts have been one of the most active products in U.S.-German agricultural trade. Mainly because of small crops and export restrictions in major traditional supplier countries, the U.S. value during January-June 1978 climbed to a record $9.5 million—about one-third of the total. About 95 percent of the U.S. shipments were food-grade shelled peanuts.

The combined value of fruits and vegetables from the United States continued to increase during the first half of 1978, reaching a record $64 million.

The grain reflects mainly higher prices of almonds. While the quantity of U.S. almonds exported to West Germany increased moderately from 6,000 tons to 8,000 tons, value rose sharply from $12.3 million to $22.3 million.

The outlook is for a smaller U.S. share in 1979 because of the relatively small 1978 U.S. crop and substantially higher prices.

West German imports of U.S. poultry rose from $9.2 million in January-June 1977 to $9.6 million in the comparable 1978 period. □

Soy Protein Plant Opens in Belgium

The first manufacturing plant in Western Europe for the production of isolated soy protein has been opened by Ralston Purina at Ieper, Belgium, according to the U.S. Agricultural Attaché in Brussels.

The plant, which will supply isolated soy protein for European food processors, cost about $16.6 million and will employ about 100 workers. □

Venezuela Boosts Poultry Meat Imports To Meet Rising Demand

Although Venezuela's poultry meat production for 1978 is estimated at 206,000 metric tons—up 12,000 tons from the 1977 level—and is forecast to rise to 216,000 tons in 1979, consumer demand is outrunning supply, and imports—particularly U.S. supplies—are expected to continue increasing, according to George J. Dietz, U.S. Agricultural Attaché in Caracas.

In the first 6 months of 1978 Venezuela imported 9,984 tons of poultry products from the United States, compared with 7,037 tons in calendar 1977 from the United States, West German, Spain, and Costa Rica.

In August, the Venezuelan Marketing Corporation (CMA) contracted for an additional 6,000 tons of poultry meat to assure an adequate supply during the Christmas holidays.

CMA may authorize poultry product imports whenever a deficit exists, although it must guarantee to purchase domestic production and assure domestic producers a market for their products.

Venezuelan poultry producers are waiting for the Government to create new wholesale price incentives to increase production. Poultry meat prices have been frozen for the past 4 years at the equivalent of $1.33 per kilogram. Meanwhile, labor and materials costs have increased, discouraging producers from building additional facilities.

Producers have requested the Ministry of Agriculture to assist in obtaining technical assistance and loans. The National Poultry Federation has protested poultry product imports.

Output of other poultry meat during 1979 is forecast at 23,000 tons, an increase of 15 percent from the 1978 estimated production of 20,000 tons. Egg production is forecast at 2.09 million units, a gain of 2 percent from the 2.04 million estimated for 1978.

The higher levels of poultry meat and egg production can be attributed to greater consumer demand for poultry products because of the lower price for poultry meat compared with red meat prices, and an increase in imports of breeding stock, hatching eggs, and baby chicks. □

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Sharp Gain Seen in Australia's Grain Export Availabilities

Australia probably will harvest bumper crops of winter (1978/79) grains, pushing up export availabilities to levels substantially higher than 1977/78's, according to Brice K. Meeker, U.S. Agricultural Attaché in Canberra.

Wheat production is expected to set a 10-year record at around 14.5 million metric tons, creating an exportable supply of about 10 million tons. The 1977/78 outturn was 9.2 million tons, leaving 8.4 million tons for export.

Barley production during 1978/79 is forecast at 3.95 million tons, up from 2.38 million tons a year earlier, resulting in an export availability of about 2 million tons.

As a result of excellent growing conditions in the major corn growing districts and some expansion of area, corn production is likely to range between 160,000 and 165,000 tons, which would permit exports of about 40,000 tons.

The outturn of oats is forecast at 1.55 million tons, compared with just under 1 million tons in 1977/78. Relatively unattractive prices for oats are expected to dampen export prospects.

The 1979 rice crop promises to set a new record (the record 1976 harvest was 379,000 tons, milled basis), and export availabilities during the 1979/80 marketing year could reach about 350,000 tons, milled basis.

A substantial proportion of Australia's exportable wheat surplus is already committed to traditional and long-term markets. Apart from long-term contracts for the coming year, the Australian Wheat Board has already sold 1.2 million tons of wheat for shipment to Iraq, Zambia, Pakistan, and Sri Lanka.

Sales during the 1978/79 (December-November) marketing year will likely include 500,000 tons to the USSR, 2.5 million tons to the People's Republic of China, 1 million tons to Japan, 1.4 million tons to Egypt, 1.5 million tons to the Middle East, 1.3 million tons to Southeast Asia, 500,000 tons to Chile, for a total of about 9.2 million tons. Most of the remainder will be sold to small traditional markets in the Pacific and for Food Aid shipments.

Australia's wheat production outlook improved significantly in September/October as a result of ideal growing conditions. Bumper crops are expected to be harvested in every production region—even in normally marginal growing areas. Outturns of barley and oats also had excellent growing conditions. □

Philippines To Expand Crop Area

The Philippines Government plans to open 1 million hectares of upland and nonirrigated land for cultivation of yellow corn and sorghum. The outturn from this area will be for export—mainly to Japan and Taiwan, according to the U.S. Agricultural Attaché in Manila.

A new corn variety that is resistant to downy mildew is now being propagated under the Maisan-77 program. It reportedly yields about 50 kilograms per hectare compared with 35-40 kilograms per hectare for traditional varieties.

As the new variety will have to be sustained with more inputs, the loan ceiling for the corn propagation program has been increased from the equivalent of $67 per hectare to $122 per hectare. □

EC Milk Dilemma *Continued from page 14*

dating from the founding—and later, the expansion—of the Community. Concessions for New Zealand butter are scheduled to end in 1980, however.

The report recognizes that barring imports of these items by the EC would only divert them to other markets, where they would compete with comparable EC exports. The net result of such a diversion could be a demand for even greater subsidies to make EC exports competitive in outside markets.

The pending expansion of the EC from the present nine to 12 members by the inclusion of Spain, Portugal, and Greece will not relieve the situation.

Although these three countries are presently net importers of dairy items, they are already supplied by EC producers. When EC price guarantees are extended to their domestic dairy economies, the result is likely to be an increase in production. □